

# *Evaluation*



# *Report*

OFFICE OF THE INSPECTOR GENERAL

EVALUATION OF THE NAVY IMPLEMENTATION OF DOD  
FINANCIAL MANAGEMENT REGULATION, VOLUME 14,  
"ADMINISTRATIVE CONTROL OF FUNDS AND  
ANTIDEFICIENCY ACT VIOLATIONS"

Report No. 96-232

September 26, 1996

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### **Acronyms**

ADA	Antideficiency Act
DBMU	Defense Business Management University
DFAS	Defense Finance and Accounting Service
DON	Department of the Navy
OPR	Office of Primary Responsibility
USD(C)	Under Secretary of Defense (Comptroller)

## **Office of the Inspector General, DoD**

**Report No. 96-232**  
Project No. 5FG-5051.02

**September 26, 1996**

### **Evaluation of the Navy Implementation of DoD Financial Management Regulation, Volume 14, "Administrative Control of Funds and Antideficiency Act Violations"**

#### **Executive Summary**

**Introduction.** On August 1, 1995, the Under Secretary of Defense (Comptroller) released for implementation Financial Management Regulation, volume 14, "Administrative Control of Funds and Antideficiency Act Violations," August 1, 1995. On August 14, 1995, the Comptroller requested the Inspector General, DoD, to review the Military Departments' implementation of volume 14.

**Evaluation Objective.** The objective of the evaluation was to review the Navy implementation of volume 14. This report is the third in a series that will discuss the implementation plan for each Military Department.

**Evaluation Results.** The Navy improved its process for investigating and reporting Antideficiency Act violations when it issued the memorandum for distribution, titled "Administrative Control of Funds and Antideficiency Act Violations," June 25, 1996, from the Assistant Secretary of the Navy (Financial Management and Comptroller). The Navy guidance implemented DoD Financial Management Regulation 7000.14-R, volume 14, "Administrative Control of Funds and Antideficiency Act Violations," August 1, 1995. The Navy designated the Assistant Secretary of the Navy (Financial Management and Comptroller) as the Office of Primary Responsibility for managing Antideficiency Act violations. This office is responsible for monitoring all potential violations, investigations, and maintenance of a roster of Antideficiency Act investigators. Investigator independence will be maintained by requiring that the investigation team be external to the area of the alleged violation.

**Management Comments.** We discussed the draft report with personnel from the Office of the Under Secretary of Defense (Comptroller) and from the Assistant Secretary of the Navy, (Financial Management and Comptroller). They agreed with our evaluation and the Navy provided some clarification on the alternate training for investigation officers should the Defence Finance and Accounting Service training for investigation officers be delayed.



**INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
400 ARMY NAVY DRIVE  
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Report No.96-232

September 26, 1996

**MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)  
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL  
MANAGEMENT AND COMPTROLLER)**

**SUBJECT:** Evaluation of the Navy Implementation of DoD Financial Management Regulation 7000.14-R, Volume 14, "Administrative Control of Funds and Antideficiency Act Violations," (Project No. 5FG-5051.02)

## **Introduction**

We are providing this evaluation report for information and use. This report is the result of our evaluation of the Navy implementation of the DoD Financial Management Regulation 7000.14-R, volume 14, "Administrative Control of Funds and Antideficiency Act Violations," (volume 14). The evaluation was performed at the request of the Under Secretary of Defense (Comptroller) to assess the Military Departments' plans for the implementation of volume 14.

## **Evaluation Results**

The Navy improved its process for investigating and reporting Antideficiency Act (ADA) violations when it issued the memorandum for distribution, titled "Administrative Control of Funds and Antideficiency Act Violations," June 25, 1996, from the Assistant Secretary of the Navy (Financial Management and Comptroller). The Navy guidance implemented the DoD Financial Management Regulation 7000.14-R, volume 14, "Administrative Control of Funds and Antideficiency Act Violations," August 1, 1995.

## **Evaluation Objectives**

The objective of the evaluation was to review the Navy implementation of volume 14. This is the third and final report in a series of reports that discusses the implementation or planned implementation of volume 14 by each Military Department.

## **Scope and Methodology**

**Scope and Methodology.** We evaluated the Department of the Navy (DON) implementing guidance "Administrative Control of Funds and Antideficiency

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Act Violations," June 25, 1996, for compliance with the requirements of DoD Financial Management Regulation 7000.14-R, "Administrative Control of Funds and Antideficiency Act Violations," August 1, 1995, volume 14. To evaluate, we interviewed and obtained documentation from Navy personnel at the Office of the Assistant Secretary of the Navy (Financial Management and Comptroller). We reviewed applicable Navy regulations and guidance and compared them with the requirements of volume 14. We reviewed several drafts of the Navy proposed implementing guidance and made suggestions as appropriate.

**Evaluation Period, Standards, and Locations.** We issued our announcement letter on August 31, 1995, and began field work on January 25, 1996, when we obtained the first draft of the implementing guidance. We obtained the final version of the Navy implementing guidance on June 26, 1996. Field work was completed after we reviewed and discussed with management the final signed guidance. We conducted the evaluation in accordance with the auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD, and included such tests of management controls as deemed necessary.

## **Prior Audits and Other Reviews**

The Inspector General, DoD, Report No. 91-015, "Survey Report on the Review of Processing of Violations of the Antideficiency Act," July 31, 1991, disclosed that the Military Department audit organizations identified 84 potential or apparent violations involving funds of approximately \$500 million for the period from October 1, 1987, through June 30, 1990, that were not reported to the Under Secretary of Defense (Comptroller) (USD(C)) by the Military Department comptrollers. Recommendations included one organization being given the responsibility for controlling, monitoring, and reporting all reported potential or apparent Antideficiency Act violations; a single organization being assigned the responsibility for ensuring that appropriate penalties are levied against individuals; and revision by the USD(C) of DoD Directive 7200.1, "Administrative Control of Appropriations," May 7, 1984, which clarifies reporting requirements and establishes uniform penalties. Management agreed to the recommendations. DoD Directive 7200.1 was revised May 4, 1995. Under that revision, the head of each DoD Component assumes responsibility for controlling, monitoring, and reporting violations. Volume 14 incorporates the remaining recommendations.

## **Evaluation Background**

On August 1, 1995, the USD(C) issued Financial Management Regulation, volume 14, "Administrative Control of Funds and Antideficiency Act Violations," August 1, 1995, (volume 14). On August 14, 1995, the USD(C) requested the Inspector General, DoD, to review the plans of the Military Departments for implementing volume 14.

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Volume 14 is issued under the authority of DoD Instruction 7000.14, "DoD Financial Management Policy and Procedures," November 15, 1992. That instruction provides financial management guidance by establishing and enforcing requirements, principles, standards, systems, procedures, and practices necessary to comply with financial management statutory and regulatory requirements applicable to the DoD. Volume 14 establishes procedures for DoD Components to use in identifying, investigating, and reporting violations of the Antideficiency Act.

## Discussion

In a policy and procedure memorandum for distribution, titled "Administrative Control of Funds and Antideficiency Act Violations," June 25, 1996, from the Assistant Secretary of the Navy (Financial Management and Comptroller), the Navy implemented the requirements of the DoD Financial Management Regulation 7000.14-R, volume 14, "Administrative Control of Funds and Antideficiency Act Violations," August 1, 1995.

The Navy designated the Assistant Secretary of the Navy (Financial Management and Comptroller) as the Office of Primary Responsibility (OPR) for managing ADA violations. The OPR monitors all potential violations and investigations and maintains the roster of ADA investigators identified by the Navy echelon 1 commands.

To ensure investigator independence, the Navy requires that the team investigating ADA violations be external to the area of the alleged violation. The investigating team consists of two investigators from the roster maintained by the OPR, and the team has access to legal counsel at all times. Additional support from functional area experts and members of the Naval Audit Service are available as needed. Each major command is required to provide to the OPR a roster of all individuals qualified to perform ADA investigations.

**Training.** The Navy addressed training requirements for ADA investigating officers. The Navy considers military or civilian personnel to be qualified (not certified) if they meet the requirements of paragraph 5, chapter 4, of the DoD Financial Management Regulation, volume 14. After September 30, 1996, investigating officers must meet the requirements of chapter 4, which include formal training being developed by DFAS. When DBMU was disestablished on July 1, 1996, the Defense Finance and Accounting Service (DFAS) was assigned the training mission. The Navy has no plans to develop its own ADA training, and until the DFAS course is available, investigators on the roster will be considered qualified. The Navy plans to use the ADA investigator training course (Compact Disk-Read Only Memory format) being developed by DFAS. Those completing the course will be certified for 5 years.

Volume 14, chapter 8, states that the DoD Components shall nominate a number of civilian and military personnel to be trained as investigating officers based on the DoD Components' projected needs for investigating officers. Chapter 8 also discusses developing and maintaining a roster of personnel who

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have completed formal training for use by appointing officials. Echelon 1 commands must update the ADA investigators list quarterly with the OPR. Until the DFAS course is available, the Navy will use the investigators on the roster of qualified investigators maintained by the OPR.

## Summary

On June 26, 1996, we discussed the Navy implementing guidance with personnel at the Office of the Assistant Secretary of the Navy (Financial Management and Comptroller). The Navy will satisfy chapter 8 requirements which include formal training using the DFAS exportable training course.

## Management Comments

We provided a draft copy of this report to the Navy on June 28, 1996. The Navy provided comments on July 23, 1996. The Navy agreed with the results of the evaluation; however, the Navy expressed the need for clarification in the requirements for training. The Navy stated it does not plan to duplicate the effort by the Defense Finance and Accounting Service (efforts previously undertaken by DBMU which was disestablished July 1, 1996) by developing a separate training course for ADA investigators. The Navy also stated that each individual listed on the Navy roster of qualified ADA violation investigators will receive appropriate training as required by volume 14 prior to assignment of an investigation.

See Enclosure 1 for complete text of the comments. Because those comments were responsive, no additional comments are necessary.

We appreciate the courtesies extended to the audit staff. If you have any questions or wish to discuss this report, please contact Mr. Christian Hendricks, Evaluation Program Director, at (703) 604-9139 or Mr. Carl Zielke, Evaluation Project Manager, at (703) 604-9147. See Enclosure 3 for report distribution. The audit team members are listed inside the back cover.



Robert J. Lieberman  
Assistant Inspector General  
for Auditing

Enclosures

# Department of the Navy Comments



DEPARTMENT OF THE NAVY  
OFFICE OF THE ASSISTANT SECRETARY  
(FINANCIAL MANAGEMENT)  
WASHINGTON, D.C. 20350-1100

23 JUL 1996

MEMORANDUM FOR THE DEPARTMENT OF DEFENSE ASSISTANT INSPECTOR  
GENERAL FOR AUDITING

Subj: DRAFT REPORT PROJECT NUMBER SFG-5051.02, "EVALUATION OF  
THE NAVY IMPLEMENTATION OF DOD FINANCIAL MANAGEMENT  
REGULATION, VOLUME 14, "ADMINISTRATIVE CONTROL OF FUNDS  
AND ANTIDEFICIENCY ACT VIOLATIONS," OF JUNE 28, 1996

Ref: (a) DODIG memo of 28 June 1996

Encl: (1) DON Response to Draft Audit Report

I am responding to the draft audit report forwarded by the  
reference concerning the Department of the Navy (DON)  
implementation of the Financial Management Regulation, Volume 14.

The DON response is provided at enclosure (1). While I  
generally concur with the report findings, I believe the method  
of achieving the required training for investigators requires  
clarification.

*Deborah P. Christie*  
DEBORAH P. CHRISTIE  
Assistant Secretary of the Navy  
(Financial Management and Comptroller)

Copy to:  
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Enclosure 1  
(Page 1 of 2)



DODIG Draft Report  
Project No. 5FG-5051.02  
Evaluation of the Navy Implementation of DOD  
Financial Management Regulation, Volume 14,  
"Administrative Control of Funds and  
Antideficiency Act Violations"

**Recommendations.** None. Written comments requested.

**DON Response.** The Department of the Navy (DON) generally concurs with the subject draft DODIG audit report. However, the method of achieving the required training of individuals identified as members of the DON roster of Antideficiency Act (ADA) violation investigators requires clarification. Although the DON does not plan to duplicate efforts by the Defense Finance and Accounting Service (efforts previously undertaken by the Defense Business Management University) by developing a separate training course, each individual listed on the DON roster of qualified ADA violation investigators will receive appropriate training as required by FMR Volume 14, chapter 4, prior to assignment of an investigation. The DON will designate existing courses which will fulfill the necessary training requirement, such as the Fiscal Law Course sponsored by the Department of the Army at the University of Virginia, by August to ensure each ADA violation investigator is sufficiently trained.

Encl (1)

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## **Organizations Visited or Contacted**

### **Office of the Secretary of Defense**

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### **Department of the Navy**

Assistant Secretary of the Navy (Financial Management and Comptroller),  
Washington, DC

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## **Audit Team Members**

This report was prepared by the Finance and Accounting Directorate,  
Office of the Assistant Inspector General for Auditing, DoD.

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